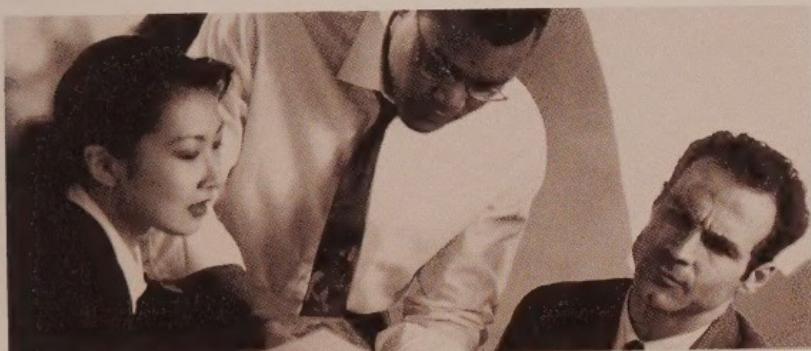


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# THE NEW ONTARIO HYDRO:

*A Progress Report*



## A PLEDGE TO ONTARIO

The mission at Ontario Hydro is to help Ontario become the most energy efficient and competitive economy in the world, and a leading example of sustainable development.

We will achieve this by providing a broad range of electricity services which best meet the needs of customers while helping sustain the environment for future generations.

In this, the first of a series of reports, we remind you of the specific commitments that were introduced in March 1993, and share with you the progress that has been made to date.



In order to protect our environment, this publication has been printed on recycled paper. You can help add extra life to this booklet by passing it along to a colleague. It's another way to make better use of materials.

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*Our customers will not see a rate increase for 1994 and Hydro is committed to a freeze in rates in real terms for the remainder of the decade.*

**S T A T U S : O N S C H E D U L E**

There will be no rate increase in 1994. For the rest of the decade Ontario Hydro believes it is both feasible and necessary to keep any increases at the rate of inflation or lower. Meeting this objective will not be easy. We are convinced that our measures to reduce our costs and debt make this goal achievable.

By keeping our rates down, Ontario Hydro will help our province's businesses compete effectively in the toughest, most competitive environment most of us have ever witnessed.

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*Ontario Hydro has committed to re-structure the Corporation to make it more cost effective, accountable, and market-oriented.*

**S T A T U S : O N S C H E D U L E**

To give Ontario Hydro a more business-like and responsive focus, our operations and activities have now been restructured into three units operating as distinct businesses within the framework of the

## Ontario Hydro Corporation.



These units are known as the Electricity Group which is responsible for fossil, hydraulic, and nuclear generation as well as the transmission grid; the Energy Services and Environment Group which will concentrate on energy management and environmental sustainability; and the Ontario Hydro Enterprises Group which will further develop and market Hydro's technological expertise around the world.

Each of these three groups will have a high degree of autonomy and will be responsible for providing a rate of return on its assets. However, as part of Ontario Hydro, each group will also be expected to meet all policy, program, and performance requirements set by the Corporation.

The new streamlined and business-oriented Ontario Hydro will serve to contribute to the competitiveness of the provincial economy.

## A PROGRESS REPORT

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*We will reduce Operations,  
Maintenance and Administration costs  
by 25% over the period 1994 - 1996.  
This will be held through to 2002.*

**S T A T U S : A H E A D O F S C H E D U L E**

We have dramatically advanced our timetable. We now anticipate meeting our goals by the end of 1993, rather than 1996. We will then work to stay at these levels through to 2002.

We have implemented cost-cutting measures more aggressive than those initially formulated. In many areas we have achieved additional reductions ranging from 5 – 10%.

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*We will reduce planned capital expenditures by \$10 billion (from \$30 billion to \$20 billion) between 1993 and 2002.*

**S T A T U S : O N T A R G E T**

We are currently on track to exceed the planned capital cutbacks. To meet future customer needs, some investments in new, rehabilitated, or upgraded equipment are necessary.



We have revised our goals and are now aiming for a reduction of planned capital

expenditures of \$13 billion, cutting \$3 billion more than originally estimated. A number of transmission projects, hydroelectric projects, and planned purchases have been deferred for periods of five to 10 years.

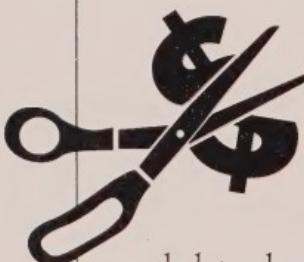
These reductions, in addition to the \$10 billion capital expenditure reduction announced in December 1992, bring the total capital cuts to \$23 billion. The net effect is that our planned capital expenditures have been cut in half.

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*Ontario Hydro will improve its debt/equity ratio to about 60/40.*

**S T A T U S : W O R K U N D E R W A Y**

Ontario Hydro remains committed to reducing its debt within the next 10 years in order to improve its debt/equity ratio.



(Debt/equity ratio is the amount of debt relative to assets. It is calculated as debt divided by the sum of debt plus equity.)

As operating costs are reduced, cash flow improves, and capital expenditures are cut back, debt will be retired.

Ontario Hydro is exploring a wide range of options for reducing its debt. Although we are in the very early stages of this, we see no reason to change our target.

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*Ontario Hydro will reduce its workforce by 6,000 to bring it to 23,000. This will be achieved mainly through voluntary departure at a cost of \$500 million.*

**S T A T U S : O N T A R G E T**

We are well on our way to meeting our reduction target of 6,000. However, due to the high level of acceptance, the program is now expected to cost some \$560 million. By achieving this goal, the Corporation will have brought regular staff levels to what they were in 1987.

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*Ontario Hydro will promote the emergence of a widening range of energy services, green technologies, and alternative technologies.*

**S T A T U S : O N S C H E D U L E**

We recognise that the effective integration of environmental and economic goals is the key to our long term success. A Task Force on Sustainable Energy Development with representation from all three operating units is now formulating a strategy which will enable us to become

a world leader in the pursuit of more sustainable forms of energy, production, development, and use. This is consistent with "Agenda 21" set out at the 1992 Earth Summit. The task force report will be finalized in November with implementation to follow.

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*The new Ontario Hydro will be more closely involved in joint undertakings with customers in the electricity supply business as well as in the energy services and demand side.*

**S T A T U S : O N S C H E D U L E**

Ontario Hydro is working with manufacturers to encourage the development, use, and sale of energy efficient equipment and products. This will help create new jobs and is compatible with the principles of sustainable development.



Ontario Hydro International (OHI) is working with the province's private sector to help sell their combined expertise around the world. A new chairman, W. David Hopper has been appointed to carry out the OHI mandate.

OHI has been active in over 50 countries. Last year the company won 67 new contracts from 20 different countries.

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*Hydro intends to track market conditions and the plans of its customers much more closely in making its own future plans.*

**S T A T U S : O N S C H E D U L E**

In the past six months:

- Hydro and the Municipal Electric Association (MEA), representing more than 300 municipal utilities, have signed a memorandum of understanding which commits both organizations to work together more closely and constructively. As well, the MEA and Hydro will soon be launching a joint study that will explore and develop options and alternatives for structuring the retail distribution system in Ontario. This study will look at the possibilities of maintaining current high standards of reliability and service while improving efficiency and cost effectiveness.
- Within the Energy Services group, a customer accounts function has been created which will provide customers with a "one-stop shopping" contact at Hydro. This is designed to improve overall customer service relationships and ensure that Hydro is more sensitive and responsive to customer needs.



- Through this customer accounts function, Hydro will be working closely with its major customers to ensure their electricity costs are kept down. This close working relationship will also allow Hydro to be more flexible and responsive to customers' specific electricity service and rate needs.

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*Ontario Hydro will introduce special rates for surplus capacity to supply incremental industrial consumer needs.*

**S T A T U S : O N S C H E D U L E**

Ontario Hydro currently has surplus generating capacity. In a pilot project, Ontario Hydro is working with a number of major industrial customers who have contracted to purchase this surplus power when it is available. This power is made available only on daily notice from Hydro and is interruptible.

This project was initiated in May 1993. To the end of July, sales under the surplus power rate totalled approximately \$2.1 million.

Ontario Hydro is also examining the possibility of other incentive rates to encourage industrial development.





 Ontario Hydro



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